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SFA



BILL ANALYSIS

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Senate Bill 480 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Joel D. Gougeon
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 9-8-97

RATIONALE

Reportedly, there have been occasions when farm land was altered for the purpose of constructing a pipeline and the alterations were not corrected to the satisfaction of the landowner, or the landowner was not adequately compensated. Although pipeline owners and operators apparently have a policy of repairing any damage or compensating landowners, some people believe that there should be statutory requirements that a pipeline company attempt to minimize economic damage and physical impact on a property owner's land as well as repair any damage or compensate a landowner for his or her loss.

CONTENT

The bill would amend Public Act 16 of 1929, which regulates the transportation and sale of natural gas through pipelines, to establish certain requirements for persons constructing a natural gas pipeline. The bill would not apply to a pipeline authorized to be built, constructed, repaired or modified by the Federal Energy Regulatory Commission. The bill specifies that it would take effect on September 1, 1997.

A person who conducted survey work for a proposed natural gas pipeline would have to notify all affected property owners, in writing, before a survey crew entered the owners' property. ("Pipeline" would mean a pipeline subject to approval of the Public Service Commission and used or to be used to transport natural gas except for a pipeline or pipelines authorized to be built, constructed, repaired, or modified by the Federal Energy Regulatory Commission.)

Any offer to a landowner for an easement for the purpose of locating, constructing, maintaining, operating, and transporting natural gas pipelines on agricultural property in Michigan would have to

include all of the following information:

- The anticipated physical impact of pipeline construction on the landowner's property.
- Written assurance that any agricultural drainage tile that was damaged or removed during the construction or repair of a pipeline would be repaired or replaced to preconstruction working condition. ("Drainage tile" would include any surface or subsurface system by which the movement of water was redirected.)
- Written assurance that topsoil that was disturbed due to construction or repair of a pipeline was properly separated and replaced. ("Topsoil" would mean surface soil that was presumed to be fertile as distinguished from subsoil.)
- The method by which property would be appraised.
- For property used to produce crops prior to construction of a pipeline, an estimate of the value of the loss of the productivity based on the historic yield of the site before pipeline construction. The agricultural property owner would have to provide historic crop yield values upon request.
- That payment would be made for all damages incurred after construction of the pipeline due to the pipeline owner's or operator's entry upon the property to exercise easement rights, except that the owner or operator would be allowed to maintain a clear right-of-way without further compensation being due to the landowner.
- That the landowner had rights under the Uniform Condemnation Procedures Act. A copy of that Act would have to be provided to the landowner.

A pipeline company would have to make a good-

faith effort to minimize the physical impact and economic damage that resulted from the construction and repair of a pipeline.

MCL 483.101a & 483.101b

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

By setting a “good faith” standard and requiring certain actions of those who build and operate pipelines, the bill would ensure that a property owner’s land was returned to its original condition, that facilities and resources were repaired or replaced, and that the property owner was compensated for lost productivity of the land. While the interests of agricultural property owners and pipeline operators sometimes conflict, the bill’s requirements essentially are consistent with policies with which pipeline owners and operators reportedly claim to comply, and would ensure, statutorily, that repairs and compensation actually occur. Although the bill would exempt interstate natural gas pipelines, they still would have to meet requirements of the Federal Energy Regulatory Commission, which reportedly are as stringent as those contained in the bill.

Response: In order to protect landowners, a pipeline company should be compelled to compensate them within 24 months after construction of a pipeline on their land. If this deadline were established, a landowner who entered into an agreement to have pipe laid on his or her property could reasonably expect to be compensated within two years for any losses to crops or property incurred during the pipeline’s construction.

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.